Canadian Radio-television and Telecommunications Commission
Conseil de la radiodiffusion et des télécommunications canadiennes
Canada

News Release

October 31, 1995

CRTC CONFIRMS DECISION TO LOWER LONG DISTANCE RATES FOR RESIDENTIAL AND SMALL-BUSINESS SUBSCRIBERS BY GRADUALLY RAISING LOCAL PHONE RATES

OTTAWA-HULL - Reflecting increasing use of long distance by consumers and job-creating small business, the CRTC today confirmed its year-old decision to continue lowering long distance telephone rates by gradually raising local rates now heavily subsidized by long distance (Telecom Decision CRTC 95-21).

"Canada will still enjoy virtually the lowest local telephone rates in the world," said CRTC chairman Keith Spicer. "And we've had no local increases in some cases for 11 or 12 years."

"The CRTC wants ordinary consumers - not just big business or the shareholders of telephone companies - to benefit from rate restructuring," said Mr. Spicer. "So it has ruled that the savings telephone companies make from reducing subsidy payments will be used to reduce basic long distance rates for services used primarily by individuals, families and small business."

To soften the impact to consumers, local rate increases will be phased in over two years at the rate of $2 per month per year. The first $2-a-month increase will take place on January 1, 1996; the second on January 1, 1997. A third phase will be implemented with the introduction of price caps on January 1, 1998.

"We know that some lower-income Canadians may worry about even this very gradual increase," said Mr. Spicer. "They may also be unaware that local rates have been effectively frozen, in most cases, for over a decade - an unheard-of stability for any other merchandise or service. They may not know that for a century long distance users have invisibly subsidized local rates."

"But lower-income Canadians also want jobs, and jobs are exactly what lower long distance rates produce", he added. "Such lower rates allow small businesses to find new markets and thus hire new staff."

The decision also guarantees that consumers will be protected from the risks associated with the telephone companies' $8-billion investment plans for the Information Highway - their Beacon initiative. "We don't think consumers should have to pay to build telephone companies' new competitive infrastructure", said Vice-Chairman of Telecommunications David Colville, who chaired the lengthy 'split rate base' hearing last spring. "Their shareholders should."

Highlights of today's decision include:

- annual increases in local rates of $2.00 per month, effective January 1, 1996 and January 1, 1997 and a third increase in local rates to be implemented with the introduction of price caps regulation effective January 1, 1998, accompanied by offsetting reductions in long distance rates for services used primarily by residential and small business subscribers;
- reductions in the rates charged to competitors for the use of the

2008-00748/

telephone companies' facilities;

- confirmation that the costing methods used by the Commission and the results obtained are reasonable when compared to U.S. costs;
- generally, all new investments and related expenses associated with the deployment of broadband facilities (e.g., fibre, coaxial cable, etc.) will be the responsibility of the shareholders of the telephone companies;
- splitting the rate base to ensure that the rates for local services do not include costs related to telephone company business decisions regarding competitive services;
- Manitoba Telephone System to be regulated on the same basis as the other large telephone companies;
- directory related activities are integral to the provision of basic telecommunications services by the telephone companies and, therefore, income from these activities will continue to be used to keep local rates as low as possible.

- 30 -

Contact: CRTC Public Affairs, Ottawa, K1A 0N2
Tel: (819) 997-0313, TDD: (819) 994-0423, Fax: (819) 994-0218

or Don Donovan (819) 997-4818
CRTC Telecommunications Branch

Copies of today's decision are available through our Internet home page (http://www.crtc.gc.ca) or by contacting the public examination room of any CRTC office:

City	Telephone	TDD	Fax
Halifax	(902) 426-7997	(902) 426-6997	(902) 426-2721
Montréal	(514) 283-6607	(514) 283-8316	(514) 283-3689
Ottawa-Hull	(819) 997-2429	(819) 994-0423	(819) 994-0218
Winnipeg	(204) 983-6306	(204) 983-8274	(204) 983-6317
Vancouver	(604) 666-2111	(604) 666-0778	(604) 666-8322

Copies may also be obtained in the Edmonton area at the following location:

Edmonton: Industry Canada, 9700 Jasper Avenue, Suite 1610, Edmonton (403) 495-2472

[français]